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**Metreveli A, Lemke F, Wagner B.**

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***Presented at: 24th International Colloquium on Relationship Marketing.  
6-9 September 2016, Toulouse, France.***

**Conference website:**

<https://icrm2016.sciencesconf.org/>

**Date deposited:**

01/11/2016

## **Conceptualisation of Environmental Value in Supplier-Customer Relationships: Investigating the Perspectives of Third-party Logistics Providers**

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### **Purpose**

The purpose of this study is to understand if environmental aspects of a customer relationship play a role in the creation of supplier value – i.e., represented in value-creating functions. More particularly, the environmental benefits and associated sacrifices derived from the customer relationships will be examined from the perception of suppliers.

### **Design/methodology/approach**

This research is based on semi-structured interviews with key informants of third-party logistics (3PL) provider firms.

### **Findings**

The results obtained by this research suggest that the supplier-perceived environmental value-creating function exist and can mainly be associated with the fulfilment of the corporate environmental goals and interests of supplier firms from the relationship with their customers.

### **Research limitations/implications**

The main limitations of this research are the study context of logistics outsourcing relationships and exploring the environmental value-creating function concept only from the suppliers' perspectives.

### **Practical implications**

This research provides general insights to the providers and buyers of 3PL services on the ways of collaborations on environmental issues and what benefits and sacrifices that can be associated for 3PL providers.

### **Social implications**

While working on environmental aspects, the awareness of the benefits for suppliers can motivate more of them to get involved in environmental practice. This can positively affect the natural environment and the society at large.

### **Originality/value**

Unlike previous research, this study confirms the existence of the supplier-perceived environmental value-creating function and its characteristics.

**Keywords:** Supplier Perceived Value, Relationship Value, Environmental Value, Third-party Logistics

### **Extended Abstract**

Supplier-customer relationship value is attaining a growing attention amongst researchers and practitioners. The relationship value can be defined as the evaluation of trade-offs between perceived benefits and perceived sacrifices by the beneficiary in a given relationship (Nasution and Mavondo, 2008; Aarikka-Stenroos and Jaakkola, 2012). The literature acknowledges that relationship value is created by value-creating functions, which make the beneficiary overall 'better-off' (Walter et al., 2001; Möller and Törrönen, 2003). A number of

studies have tried to conceptualise supplier perceived value-creating functions (e.g., Biggemann and Buttle, 2012; Smals and Smits, 2012). Although these studies are helpful, constructs typically remain vague and inconsistent across researchers. Notably, these studies did not consider environmental aspects in creating value for suppliers. Nevertheless, it can be argued that there is a possibility for suppliers to gain from customer relationships in the form of environmental and other benefits (Menguc et al., 2010; Zailani et al., 2012).

There can be various reasons for supplier firms to see value in environmental aspects of their activities and associated value in the relationships with trading counterparts. A proactive environmental strategy of a supplier is one of the reasons and is highlighted to be associated with voluntary (González-Benito and González-Benito, 2006; Menguc et al., 2010; Sharma and Vredenburg, 1998) and innovative (Menguc et al., 2010) environmental activities. Also, being concerned with reducing the environmental impact of the firm beyond those set by regulations are other characteristics (Sharma and Vredenburg, 1998; Sharma, 2000; Buysse and Verbeke, 2003; Delgado-Ceballos et al., 2012). In this regard, customer interaction may involve cooperative endeavours between the supplier and its customer with the supplier's interest to reduce the negative environmental impact of its business activities and offerings to the minimum. According to Chan et al. (2012, p. 623), "this cooperation typically includes collaboration with customers to achieve more eco-friendly design, production and packaging (...)". On the other hand, the lack of the customers' interests to purchase environmental products and/or collaborate with suppliers on the developments of such products may result in the reduction of the suppliers' environmental proactivity. In turn, the potential benefits associated with the environmental activities might be missed (Aragón-Correa and Sharma, 2003; Branco and Rodrigues, 2006; Menguc et al., 2010; Hart and Dowell, 2011).

Today, there is an ambiguity whether suppliers can be made 'better-off' overall by being environmentally proactive when collaborating with their customers. By addressing this gap, our study contributes to the existing body of research, which tries to understand various ways of creating supplier value (Songailiene et al., 2011; Smals and Smits, 2012) and also examines environmental aspects against the value creation criterion.

## Methodology

The qualitative study employed semi-structured interviews and a literature-based interview guide was developed and utilised for data collection. Key informants at third-party logistics providers (3PL) helped us to explore the value creating functions from their perspective. Our approach follows Corsaro and Snehota (2010), who argue that a study has to focus on a particular context in order to evaluate and assess the relationship value concept holistically.

The interview data has been recorded and transcribed verbatim. The interviewed firms, as well as specific industry information that would identify the companies, were anonymised. Content analysis allowed the evaluation and identification of key qualitative findings. On this basis, and in contrasting the empirical data with the literature findings, we derived final propositions by our research. Validity and reliability checks completed the analytical steps.

## Findings and Implications

The study revealed that the fulfilment of corporate environmental goals through the relationship with customers create value for suppliers. In such cases, working on environmental aspects is one of the core focuses in suppliers-customer relationships. The benefits associated with these aspects include, for example, cost saving, enhanced brand image, reputation, innovation and growth. Also, no sacrifices have been identified, which individually or in- collection outweighed the overall perceived benefits from fulfilling the environmental function. Put differently, collaborating on environmental aspects has the

potential of making suppliers 'better-off' overall. This is value creation, driven by the environmental function.

The environmental value creation benefits and sacrifices are generic enough to be applied also in the other contexts where the environmental impact measurement and reduction takes place. Nevertheless, our findings hold best in the 3PL context and any generalisation of findings beyond this service sector have to be cautioned. This study clarified how 3PL customers can create value for 3PL providers and how they are able to contribute in reaching environmental goals. Regarding value creation via the environmental function, this is a critical aspect that received scant attention thus far. We explored this exclusively from the perspectives of 3PL providers. For capturing this aspect more comprehensively, future research may go beyond by employing dyadic supplier-customer research.

The results of this research have the potential to assist business practitioners in understanding and applying the power of the environmental value-creating function. Our study highlights the benefits and sacrifices associated with this function and what it means for suppliers. As a consequence, suppliers and customers will see an incentive in engaging and collaborating in environmental aspects. Such collaboration enhances the overall value gained from their relationship. This insight will help customers in the definition of their value propositions to

their suppliers. Besides, more environmental proactivity should help the suppliers and customers to reduce the negative impact of their operations on the natural environment. Therefore, such kind of collaboration has the power to positively contribute to the wider societal wellbeing.

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